

Chapter 7

Strategy

ABSTRACT

Small business tends not to take a strategic approach to planning and operations. The focus tends to be on efficient operations in the near term. Thus, it is incumbent upon senior management in a small business to take a longer term perspective to strategically address how to gain and sustain competitive advantage. This chapter discusses how the use of information systems will promote the necessary internal environment which, in turn, will facilitate responding to the external environment. The strategic use of information systems will lead to more sophisticated and formal processes. A learning environment will support creative initiatives where information systems will improve performance and contribute to competitive advantage.

INTRODUCTION

Strategy involves planning for the future of the small business and considers both internal assets and external events which may impact the business. Small business may employ information systems in a strategic manner in order to attempt to gain competitive advantage. From an external perspective the small business will develop a strategy which proactively addresses the business environment. Continual scanning will provide information about the market and other small businesses in the same industry. Information systems related to websites and other Internet based applications will facilitate gathering important information.

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Strategy

Internally the focus is on skills and processes. The strategic use of information systems will improve employee skills and promote more sophisticated processes. The establishment of a learning environment will allow managers and employees to acquire knowledge about information technology. They will be encouraged to take novel initiatives in the application of information systems which may contribute to competitive advantage. In this environment the information technology knowledge of the owner/manager will promote investigations into the novel use of the technology to benefit the small business.

Overall, the strategic use of information systems will improve the performance of the small business. Physical assets such as equipment and machinery will be employed more productively. Intangible assets in the form of method and processes will lead to a more sophisticated approach to the management of the small business. Further, as the small business grows and matures informal processes will be replaced by formal processes supported by the adoption and use of information systems. Employee skills and a learning environment will facilitate the use of all of these assets to gain competitive advantage.

This chapter is organized as follows. To begin the generic term “strategy” is reviewed. Then for the remainder of the chapter strategy is related to information systems. Thus, it is suggested that the strategic use of information systems by small business will contribute to gaining competitive advantage. Next it is proposed that the information technology knowledge of the owner/manager and the creation of a learning environment within the small business will lead to a more sophisticated use of information technology and consequently competitive advantage. As the small business grows and matures more sophisticated and formalized processes are employed which are supported by information systems.

INFORMATION SYSTEMS AND STRATEGY

Generally, information systems support the efficiency of internal operations for a small business. The strategic use of information systems will contribute to achieving competitive advantage through improved relationships with customers and suppliers. Further, strategic use of information systems will allow the small business to more effectively compete with other small businesses within the industry.

Early investigations into the use of information systems by small business suggested the technology was mainly used to support daily operations (Rivard et al, 1988). Later Pollard and Hayne (1998) identified a shift towards a more strategic use of information systems by small business in an attempt to gain competitive advantage. Kagan et al (1990) supported this finding concluding that as a small

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